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SUBJECT: KFAED DEPUTY DIRECTOR GENERAL: BUREAUCRATIC
ISSUES SLOWING IRAQI ASSISTANCE

REF: KUWAIT 734

Classified By: Ambassador Deborah K. Jones for reasons 1.4 b and d

Summary

1. (U) Senior Advisor for Southern Iraq Affairs Gordon Gray met with Kuwait Fund for Arab Economic Development (KFAED) Deputy Director General Ghanim Al-Ghunaiman on July 22. Al-Ghunaiman discussed current and future assistance programs in Iraq and asked for assistance in identifying an appropriate point of contact in the Iraqi Foreign Ministry. He also highlighted ongoing difficulties with the Iraqis in the disbursement of funds due to "bureaucratic issues." Gray highlighted the continued importance of GCC engagement in Iraq to counterbalance Iranian influence and to expand Iraq-GCC trade. The two also discussed Kuwaiti assistance to the Palestinian Authority and to Lebanon. End summary.

Iraq: Bureaucratic Issues Slowing Down Assistance

2. (U) Senior Advisor for Southern Iraq Affairs Gordon Gray met with KFAED Deputy Director General Ghanim Al-Ghunaiman on July 22 to highlight the continued importance of GCC engagement in Iraq to counterbalance Iranian influence and expand Iraq-GCC trade. Currently, KFAED is overseeing the identification and distribution of USD 120 million in grants to Iraq. (Note: An additional USD 450 million in concessional loans for infrastructure projects in Iraq has been pledged, but according to KFAED none has been disbursed due to "consistently changing Iraqi priorities." End note.) The grants are divided into two tranches of USD 60 million each. The first tranche allocates USD 30 million for schools in southern Iraq and USD 30 million for a medical center in Basra. The second tranche allocates USD 36 million to water projects in Sadr City and USD 24 million for schools in the central and northern areas of Iraq. According to Al-Ghunaiman, the projects are in various stages of implementation - the school grants are being implemented and the hospital wing project remains in the development phase with a consulting firm. All projects are open to both Iraqi and Kuwaiti firms and KFAED encourages joint ventures between the two.

3. (C) Al-Ghunaiman highlighted ongoing difficulties with the Iraqis in the disbursement of these and additional funds. Specifically, he mentioned the absence of a regular and reliable point of contact in Iraqi ministries outside of the Ministry of Planning. Al-Ghunaiman mentioned examples of sending requests to one Iraqi ministry and getting a response from another or making repeated calls to the Foreign Ministry, but not receiving a response. To add to these difficulties, he noted the differences in Iraqi and Kuwaiti bureaucratic procedures concerning loans and grants. At

times, grants will be cleared by Iraqi ministries, but will lack signatures or additional paperwork necessary for processing in Kuwaiti ministries.

¶4. (U) Al-Ghunaiman turned to the issue of Iraqi farmers living and working in the Iraqi port city of Um Qasr. The Iraqi Foreign Ministry submitted a USD 18 million plan to KFAED to relocate these farmers and build a new community 5km into Iraq from Um Qasr. KFAED and the Kuwaiti Foreign Ministry have been attempting to contact the appropriate Undersecretary at the Iraqi Foreign Ministry to host an Iraqi delegation in Kuwait and discuss the plan, but have been unable to make contact. Gray offered to look into the issue upon his return to Iraq and help identify the appropriate Iraqi Foreign Ministry point of contact. (Note: KFAED has no representation in Iraq, but believes that the recently named Kuwaiti Ambassador to Iraq Lt. Gen Ali al-Momen will help facilitate grants and work to clear up outstanding bureaucratic issues. End note.)

Aid to Lebanon and the Palestinian Territories

¶5. (U) In response to Gray's inquiry into the status of assistance to the Palestinian Territories and Lebanon, Al-Ghunaiman pointed to Lebanon as a success story. In the aftermath of the 2006 war, KFAED is overseeing the distribution of USD 300 million in Lebanon. KFAED has an office in Beirut and has signed 35 projects to date (reftel). On the Palestinian Territories, things are more confusing. The Government of Kuwait pledged USD 300 million to the Palestinians at the December 2006 Paris Donor's Conference,

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but has yet to determine how to distribute the money to the various international agencies including the World Bank, Arab Fund for Economic and Social Development, and the Islamic Development Bank. According to Al-Ghunaiman, the Deputy Prime Minister and the Foreign Minister is handling this issue and there is a possibility that the funds may be transferred to KFAED for them to administer. (Note: Kuwaiti Ministry of Foreign Affairs U/S Jarallah informed Ambassador on July 15 that the funds has been released and should be available "within ten days" i.e. by July 25. End note.)

¶6. (U) Embassy Baghdad Senior Advisor Gordon Gray has cleared this cable.

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